

A large crowd of people is gathered for an outdoor event, possibly a charity run or festival. The scene is filled with people, many wearing dark clothing, and the atmosphere is bright and sunny. A yellow banner is overlaid on the left side of the image, containing the title and subtitle. The background shows a street with buildings and some structures, suggesting an urban setting.

The Guide to Giving

Realise greater impact through your giving

CONTENTS

1.0

BUILDING THE FOUNDATIONS OF YOUR GIVING STRATEGY

Why are you giving and what do you want to get out of it?

How to identify the problems you care about and want your giving to address

How to research your cause area

How to think about your timeline for giving

Investing your philanthropic capital

2.0

FORMING THE BUILDING BLOCKS OF YOUR STRATEGY

What type of philanthropist are you?

Determining your attitude to philanthropic risk

Systems change versus direct intervention

Supporting community-led initiatives

Building a giving portfolio

Responding to humanitarian crises

3.0

IDENTIFYING YOUR PARTNERS

Evidence versus impact

What is evidence and where can you find it?

Is there ever a situation where using evidence is unhelpful?

4.0

REFINING YOUR LIST

Big versus small charities

Overhead costs

5.0

OTHER FACTORS TO CONSIDER

Philanthropic leverage

Involve your family in your giving

Beyond financial giving: how to give your time well

APPENDIX

Helpful definitions

The spectrum of impact



Foreword

Charitable giving can make a real difference to societal issues, but it can be hard to know the best way to achieve impact.

At Charities Aid Foundation (CAF), we seek to help new and experienced donors realise greater impact through their giving, to accelerate progress in society towards a fair and sustainable future for all.

Our strategic, evidence-based approach to our advisory service helps to maximise impact for our clients and ensure they are confident in their giving decisions.

Our private clients inspire us at every turn, stepping forward with generosity, advancing their giving plans and seeking our advice on how to achieve the most impact through their donations.

Whatever your ambitions or the causes you care most about, we hope this guide gives you the confidence to take your giving further.



Mark Greer
Managing Director, Philanthropy Services
Charities Aid Foundation



Introduction

Whether you are just starting out with your giving or are further along, you may be wondering what the most effective way to give is.

Our Private Client Advisory Service is here to help you identify where and how to give, how to involve family members, or even how to offer your time and skills to support your chosen cause. We work with you to understand what you hope to gain from your giving, help you think about your strategy, find relevant charities, and help you understand the difference you can make.

During our work advising clients, we frequently come across the same questions when it comes to giving and in some cases misconceptions that can prevent them from making more of a difference. Most of these questions come from not knowing how or where to find accurate, evidence-based information to help our clients and their giving strategies.

This comprehensive guide has been designed to provide step-by-step advice on some of the key considerations we suggest you take as you build your giving strategy.

A lot of the information in this guide comes from articles published on our website, linked to throughout for you to learn more.

If you have any questions or wish to understand any of the concepts and how they might apply to your giving, please get in touch with your private client manager. If you are not a CAF client but are interested in our services or products, please contact the **Private Client Team**.



**READ ALL RESOURCES
ON OUR WEBSITE >**

1.0

Building the foundations of your giving strategy

There's a lot to think about when developing your giving strategy. But rather than jumping straight into identifying the charities you may wish to support, we recommend taking a step back to think about the problems you care most deeply about and the issues you'd like your giving to address.

In this first chapter, we cover:

- Your motivations for giving
- How to identify causes and challenge your thinking
- How to research your cause area and challenge your thinking on issues
- How to develop a timeline for your giving
- How to think about investing your philanthropic capital





1.1 Why are you giving, and what do you want to get out of it?

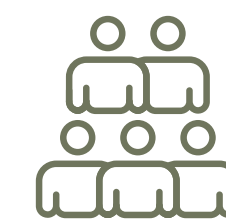
Why do you want to give? That's the very first question we recommend you ask yourself. What are your motivations and how much time do you really want to dedicate to your giving?

For example, are you motivated to give because of your faith and, if so, do you think that this might affect some of the organisations you choose to support, or the approach that you may wish to take.

Alternatively, are you looking to give back after a long and successful career? If this is the case, how much time might you wish to allocate to your giving, and are you interested in becoming involved in charities beyond just 'writing a cheque'? If so, what skills do you have that might really be useful to charities and, are there risks in applying private sector approaches to the third sector, which is not for profit?

Are you interested in giving to set a good example to your children and teach them about the responsibility of wealth? If this is the case, how can you involve them in the development of your giving strategy and how much control do you wish to give them to shape some of this strategy themselves?

Asking yourself why you are giving and what you hope to get out of it is a really important first step in getting the most out of your strategy, ensuring that the approach you eventually develop is suitable, and your original intentions are still fit for purpose as you progress.



**READ MORE ON GIVING
WITH YOUR FAMILY >**



1.2 How to identify the problems you care about and want your giving to address

It's a common assumption that the first step in developing a giving strategy is to identify charities to donate to. But with hundreds of thousands of charities working in the UK alone, all using very different approaches and tackling different problems with varying levels of success, how do you find the right one?

Making matters more complicated is the fact that most issues are complex and multifaceted and the drivers behind them may not be what they seem. Take the issue of childhood obesity. This is a health-based problem, yet there is a positive correlation between **childhood obesity and poverty**. As a result, the most direct or 'common sense' way to tackle a problem might not actually be the most effective.

Instead, in order to really identify the best charities to meet your goals, you need to understand the problem itself and how you wish to contribute to solving it. Before you can get to this step, you need to identify the problems that you care most about in the first place.

Without a focus, it is easy for your giving strategy to be pulled off course

This is easier said than done. A starting point for much of the research and advisory work that we do for private clients at CAF is helping them to narrow down the issues that they'd like their giving to address. With so many challenges facing the world today, this can be difficult to do. However, without a focus, it is easy for your giving strategy to be pulled off course, or to be reactive rather than proactive.



1.3 What to consider when identifying cause areas

To help identify what you really care about, we suggest running through the following questions and thinking about your answers carefully.

1. What motivates you to give?
2. Over what timeline do you imagine that you will give?
3. What does impact mean to you?
4. What are you most concerned about socially right now? Do you view your giving as a way to alleviate that?
5. What makes you angry?
6. Are you interested in a particular cause area? Why?
7. Are you interested in a specific geographic location?
8. Are you interested in supporting specific groups of people?



READ MORE ON IDENTIFYING BIASES IN YOUR GIVING >

We also strongly suggest challenging yourself and the issues that you identify as being important to you. For example, do you wish to fund medical research into a disease that afflicted a loved one, or alleviate poverty in a country you may have visited on holiday? While it is very understandable that you might find yourself drawn to these sorts of issues, they may already be very well funded and, in fact, you could make more of a difference by stepping outside your frame of reference and funding other serious issues that are often overlooked.

COMMON BEHAVIOURAL BIASES

Behavioural biases may act as barriers, preventing you from supporting causes you care about.

Implicit bias

Where you weigh the welfare of your own group, or those similar to you, more than those considered 'outsiders'. This may be because of religion, race, gender or personal relationships. You can mitigate this by researching the problems that are neglected or underfunded relative to the scale of the problem.

Identifiable victim effect

This is when our emotions are triggered with images or videos of individuals in need, which motivates us to act, such as emergency appeals. To mitigate this, we suggest researching the organisation and the issue it addresses.

Evaluability bias

The tendency to prioritise certain attributes over others due to ease of evaluation, possibly side-stepping more relevant criteria, such as outputs vs. outcomes.

Donors should be aware of this bias and not focus on overhead costs as this does not represent a charity's effectiveness.



1.4 How to research your cause area

Once you've identified the problems that you'd most like your giving to address, the next step is to learn about them more deeply. While time consuming, this is necessary to help you identify what the scale of the problem is, what seems to work in addressing the issue, what Government and civil society may already be doing to address it and, therefore, where your money might be able to fill the gaps and make the most difference.

We'll provide more information on how to find and understand evidence for what does and does not work in addressing the issue you care about in the following chapters. For now, it is helpful simply to read and speak to people. Useful resources that might help you are as follows:

- If you are interested in poverty or public health in the global South, you may wish to read the [works of Esther Duflo and Abhijit Banerjee](#). [The World Bank](#) and [UN reports](#) may also be helpful.
- If you are interested in social issues in the UK, you may wish to refer to the Government's [What Works Centres](#), or see if your local council or county have published anything about the nature of the problem in your area.
- You may also wish to consult research put out by various think tanks and research centres depending on the issues that interest you. Examples include [Joseph Rowntree Foundation \(JRF\)](#) and [ProBono Economics](#).

Whichever resources you find helpful, we would recommend consulting a variety of sources, as well as speaking to academics who study issues carefully and often have good insights into the drivers behind them.



1.5 How to think about your timeline for giving

How long do you want to keep giving for? Do you hope for the next generation to continue giving beyond your lifetime? Do you wish to give all of your money away in a matter of years? Depending on your preferences, there may be limits to the amount that you can give away now.

When thinking about your timeline for giving, you may also wish to think about the nature of the problems you wish to concentrate on.

There are a lot of problems facing the world today, many of which could be solved by a concentrated release of philanthropic capital. Given this, should funds go to charity now or be held back to solve future issues? This is particularly important because it is very difficult to predict the needs of a future world.

If you would like to set up your giving to continue after your lifetime, then 'future proofing' your strategy is something to think about. In particular, consider how you can fund issues with enough flexibility to be relevant to future generations.



[READ MORE ON MAKING A LASTING IMPACT WITH A GIFT IN YOUR WILL >](#)

1.6 Investing your philanthropic capital

Depending on your timeline for giving, you may want to invest some of the capital, to preserve the levels of the philanthropic pot or meet future ambitions. At CAF we're not regulated to give financial advice, but some general pointers you might want to keep in mind include:

- **Aligning your investments to your values** or to the cause areas you care about. For example, you may want to ensure that the investments you intend to hold do not contradict the missions of the charitable organisations that will be the future stewards of these funds.
- **Determining if it is even worth making investments**, depending on the volume and speed at which funds pass through your donor advised trust. As an alternative you may want to explore making a social investment loan through CAF Venturesome for example, where you can achieve a social return while 'recycling your philanthropic capital'.

Using your money for good doesn't necessarily mean foregoing a financial return. In fact, you can achieve both to varying degrees. We've set out the spectrum of impact and types of return you can expect [in the appendix](#).



[EXPLORE SOCIAL INVESTMENT WITH CAF VENTURESOME >](#)

2.0

Forming the building blocks of your strategy

Now that you've spent some time delving into the heart of your motivations, timeline and focus for your giving, it's time to consider the portfolio best suited to turning those ideas into reality.

In this section, we share resources to help you:

- Identify the giving approach that would suit you best
- Determine your attitude to philanthropic risk and uncertainty
- Build a giving portfolio that reflects these preferences





2.1 Identify the giving approach that would suit you best

After your motivations and desired focus for your giving, identifying the type of giver you are, and therefore how you might like to address that cause area, is often the second step in developing a more fulfilling and deeper relationship with your giving. With that in mind, we've put together a short quiz to help you identify your preferences.



TAKE THE QUIZ >

The quiz also includes tailored guidance based on the philanthropic 'type' that you identify as through your answers. You might also find it useful to keep your 'type' in mind as you progress through this guide, particularly when it comes to identifying your charities.

2.2 Determining your attitude to philanthropic risk

Several of the questions in the quiz relate to uncertainty or risk and your attitude towards it, as well as to different approaches to tackling an issue. These questions aim to ascertain your attitude to risk and uncertainty, and therefore how much risk you might be willing to take in your giving strategy.

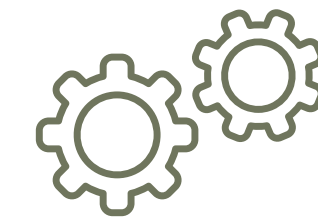
We define philanthropic risk as the certainty of achieving a result or impact. In other words, supporting the pilot of a new initiative would be considered higher risk as it has not been tested before. Supporting a well-evidenced approach would be considered lower risk.

There are many different aspects to any social issue and many different ways to tackle a problem. Once you know the issue you want to address, consider how you want to solve that problem and how much risk you're willing to take in doing so.

Systems change versus direct intervention

A very important element of philanthropic risk is the question of systems change versus more direct interventions.

Systems change involves trying to change or improve the conditions that create or cause an issue, while direct work involves addressing a particular problem as it appears for a specific group of beneficiaries. The difference can be thought of as addressing the root of the problem versus the symptoms. Naturally the former is often riskier than the latter.



[READ MORE ON SUPPORTING SYSTEMS CHANGE EFFECTIVELY >](#)

SYSTEMS LEVEL APPROACH

Systems change aims to change part of a system that could benefit an entire population or group of beneficiaries and the way in which programmes, services or treatments are delivered. Examples include medical research, advocacy, policy change or scaling direct interventions. You often cannot see the full benefits until the change has happened, which can take a long time to occur and is often complex, making impact not as tangible as with direct work.

Taking this approach can be more or less risky. For example, funding advocacy or policy organisations with a strong track record of success working at a high level with Government and other stakeholders could be considered lower risk. However, systems change is usually more high risk than this example. It is difficult to know whether it will work and involves working with multiple stakeholders, complex issues, and diverse drivers.

DIRECT LEVEL APPROACH

Direct approaches are interventions delivering benefits, goods, or services to a specific group of beneficiaries. Examples include supplying free breakfast clubs or malaria nets. This approach has a more direct link between donation and effect, meaning impact is more tangible.

Choosing the path of lower risk involves supporting programmes with a high evidence base for their effectiveness. Direct interventions are also usually easier to measure using randomised control trials (the best way to measure impact and effectiveness).

High risk direct approaches might include supporting new pilots or initiatives that are untested, and so lack an evidence base to know whether they work or not.



Supporting community-led initiatives

Community-led initiatives are projects or organisations that have grown from the belief that change is often most effective and impactful when it comes from within, so are run by the communities they work to support – either place-based communities or those linked by an idea or identity.

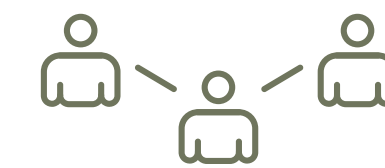
It's common for these types of initiatives to be viewed as small, local, less risky and ultimately the opposite of a systems level approach.

In reality, there's not always such a clear divide. Some small organisations don't exemplify community-led practice, while some big international organisations incorporate community-led principles in their programme design, despite having centralised decision making.

When this approach works well, it includes a shared vision that drives action and change, drawing on existing relationships and assets to build solutions that work for whole communities.

But there are risks involved too. Power imbalances in the community can be reflected in the decisions taken, while a tendency to romanticise community-led work can lead to a reliance on lived experience rather than specific expertise, ultimately resulting in inefficiencies or a failure to maximise potential.

It's therefore important to truly understand the initiative you'd like to support and whether it is achieving its goals for the community.



**READ MORE ON SUPPORTING
COMMUNITY-LED INITIATIVES >**



2.3 Building a giving portfolio

Although there are likely several ways to approach an issue, this does not mean that you should exclusively focus your giving on funding either systems or direct work. Instead, when developing your strategy, we suggest considering your appetite for risk and how you want to support the causes you are interested in, focusing on fewer cause areas through longer-term support. You should review your strategy every 3-5 years to decide whether to continue supporting your initial organisations or cause areas, or whether there are new issues of interest to you.

A risk-based approach enables you to be more strategic and impactful by supporting a portfolio of charities that fit with your **social vision and goals**. Taking homelessness, a complex and multifaceted issue, as an example, supporting shelters, policy implementation, and housing are some of the different angles one could take, each with a different risk profile.

For example, you may decide to apply a 40:40 ratio to your portfolio. If you decided to distribute £40,000 annually, £16,000 could be allocated to direct work. This type of approach can be thought of as alleviating the 'symptoms' of homelessness, for example shelters, mental health support, and food banks to name a few. These approaches will directly impact a smaller group of beneficiaries.

Another £16,000 could be used to support systems change. This can be described as tackling the 'root' of the issue. In other words, advocacy and policy work may be higher level, and riskier, but if successful could change how we, as a country, address homelessness.

You could allocate the remaining 20% (£8,000) to personal commitments or reactive grants such as emergency appeals that don't necessarily fit with your overall strategy.

We've developed a template to help you think about how much of your giving you'd like to allocate to higher and lower risk opportunities, and how to build your portfolio generally. If you are interested, please contact your client manager for more information.

Responding to humanitarian crises

Ringfencing a percentage of your portfolio to support humanitarian crises as they arise ensures that you can respond quickly, and without taking your broader giving strategy off course. But when a humanitarian emergency occurs, how do you know which appeal to support and for how long? When it comes to funding emergency appeals, there are ways that you can try to have as much impact as possible with your giving.



READ MORE ON INCORPORATING EMERGENCY APPEALS INTO YOUR STRATEGY >

SHORT-TERM RESPONSE

When looking at appeals or organisations, we suggest you check if their response incorporates any of the following:

Cash-based programmes

The majority of humanitarian aid is provided through in-kind payments via physical goods such as food, clothing and shelter. But cash or voucher transfers can be delivered safely, efficiently and accountably, giving the beneficiaries flexibility and the opportunity to purchase supplies locally. Evidence also shows that beneficiaries spend cash sensibly.

Transitional shelter

Emergency shelter should not just be life-saving but set the path for sustainable reconstruction and be suitable for local conditions. Transitional shelters fall between a tent and a full house and last up to three years. We recommend supporting appeals focusing on providing shelter using needs-based assessments to ensure that shelters are suitable for local conditions.

Measures against gender-based violence (GBV)

The prevalence of gender-based violence increases during emergencies and can have significant impacts on the longer-term mental and physical health of those affected. Despite awareness of the prevalence and impact of gender-based violence, it is systematically underestimated and underreported.

Monitoring and evaluation (M&E)

Monitoring and evaluation are two important components in a programme that help track progress, facilitate effective decision making, and identify best practice and mistakes to be learned from.

LONG-TERM RESPONSE

Taking a longer-term approach to humanitarian aid can help both charities and local communities with preparation, mitigation, response and recovery. Here are some aspects to consider when looking at the bigger picture:

Disaster preparedness

Integrate funding into development programmes, which speed up response, use local partners, ensure coverage of smaller shocks, and protect development gains.

Improving resilience

This includes investing in shock-resistant infrastructure, human capacity, strengthening government capacity, creating disaster management plans, economic planning and future disaster provisions.

Long-term recovery

As infrastructure begins to replace transitional shelter and social structures are restored, funding is important to continue this transition and ensure that any new infrastructure built is resilient and suitable for the context.

Localisation

Ensure organisations that you support involve local partners in needs assessments and decision-making processes to strengthen capacity at a national and local level. This can help local communities become more resilient and better prepared to lead on response efforts in the future.

3.0

Identifying your partners

Taking time to assess your motivations for giving, your cause areas, timeline and appetite for risk are the foundations of your giving strategy. Once you feel comfortable with your choices, you can begin to identify the organisations that will help you to deliver on that strategy.

Rather than delving straight into identifying charities, it's best to take the time to build on your initial research of your cause area and identify independent evidence for the solutions and interventions that work in addressing the problems you care about.

This section will help you to do this by discussing:

- What good independent evidence looks like
- Where to find it
- How to navigate a charity's impact report
- What to ask for when approaching possible organisations





3.1 Evidence versus impact

The questions of impact reporting and monitoring and evaluation are big themes right now. Donors, particularly bigger organisational funders, are increasingly asking more of charities in terms of impact reporting and evaluation after they have made donations. Charities are also increasingly trying to understand their impact as a way to better serve their beneficiary communities.

This is an important trend, because done well it means that charities and donors can make a real difference through their work and their gifts respectively. However, impact reporting in its current guise is not necessarily as useful as it could be.

This is because impact reporting most often emphasises short-term **outputs** and not longer-term **outcomes**. It also often fails to consider the **counterfactual** – what would have happened without that particular charity's involvement. This means that despite a lot of time and effort going into these reports, there is little information to help a donor understand the real difference their donation will make, and the extent to which a charity's programme or intervention works.

Instead, the best way to understand this is to look at independently assessed evidence of a particular programme or intervention before making your donation.

3.2 What is evidence and where can you find it?

There are several different kinds of **evidence**, indeed there is a whole **hierarchy**, and different types will be appropriate for different circumstances.

Randomised Control Trials

The gold standard to understand whether an intervention works in its intended way and the difference it's made to beneficiaries is randomised control trials (RCTs) because they establish causality. RCTs are particularly useful for direct work. An important point to bear in mind, however, is that RCTs place all the emphasis on the end result and leave out the way the programme is implemented and the way beneficiaries feel about it.

Consistent qualitative evidence

Qualitative evidence, obtained for example through a survey, will be most useful to understand the beneficiaries' perspective of a programme. Qualitative evidence is quite low on the hierarchy of evidence, but when it comes to reporting beneficiary experience, qualitative evidence is good evidence to use.

Process evaluation

This looks at how interventions work, and why they deliver certain results. Process evaluations allow you to 'go behind the results' of an RCT or other outcome evaluation. They are particularly useful when understanding how complex interventions work, what may have gone wrong in the delivery of an intervention and how an intervention could be changed for a different environment.

As you begin to research charities to support, it's a good idea to:

- **Look into the methodology** behind how the charity has collected and interpreted their programme data
- **Identify the long-term benefits.** Ask about how the evidence shows, if any, the long-term benefits for beneficiaries
- **Ask yourself how fantastical the claims are.** If an organisation is making claims that are absolute, rather than relative, this is worth exploring with them
- **Look for the counterfactual.** Most importantly, ask if the charity has a control group that their programme can be compared against so that you can understand what might have happened otherwise



3.3 Is there ever a situation where using evidence is unhelpful?

While randomised control trials may be useful for direct interventions, where there is a clearer link between programme and result, there may be programmes where an evidence base will be harder to build, or where it should not exist.

In the case of the former scenario, evidence for systems change will be difficult to build and capture. This is because systems change usually involves a lot of different actors and may take a very long time to realise. However, there are three factors to consider when trying to understand if a charity working on systems change is making progress towards its goals, or whether systems change is a good idea.

1. Learn about the track-record of a charity and the extent to which it's been successful in influencing systems in the past
2. Identify how strong its links are to Government and stakeholders necessary for change
3. Find out the extent to which it's taking a targeted approach that is more likely to be successful than focusing on several issues at the same time

In a scenario where evidence doesn't exist, this may be because the programme or organisation is new and is trialling a new solution. If this is the case, then the lack of evidence should not put you off. In fact, you could argue that the 'sweet spot' for philanthropy is to test and catalyse new ideas that can be applied at scale if they work.

However, the percentage of philanthropic capital that gets allocated to systemic change or to bold individuals with bold new ideas is negligible. This means that as you are researching organisations and programmes to support and trying to understand what works, you should expect a body of evidence for a certain programme that a charity can share with you, and that they are taking an evidence-based approach to their work.

Finally, while there is absolutely a role for catalytic philanthropy, you also do have to be building the evidence base for the programme as you trial it, otherwise there is no way of knowing if it worked, and therefore whether it should be scaled-up.

4.0

Refining your list

Our guidance must also address two of the bigger misunderstandings or 'myths' that pervade the world of charitable giving.

These misconceptions often prevent donors from having as much impact as possible and may help you as you narrow down your list of organisations to support.

These misconceptions include:

- Smaller organisations are more efficient
- Donors shouldn't cover overhead costs





4.1 Big versus small charities

The first misconception we often come across is the idea that smaller organisations are more effective and impactful, with lower overhead costs, than their larger counterparts. Due to this, donors often prefer to donate to smaller organisations as they feel their donation will make more of a difference.

The size of an organisation should not be an indicator for impact and holding organisations to account for the money they receive. Supporting a smaller charity might allow a donor to feel closer to the cause, get to know the team better and make a bigger difference to the financials of a charity if they do not have large sums of money to give away. These are all valid reasons. But whether an organisation is large or small gives no indication of how effective it is at realising its mission or improving the lives of its beneficiaries.

Instead, identifying which organisation to support will have much more to do with the extent to which there is evidence that their programme works (see Chapter 3), the type of change you would like to support and your appetite for philanthropic risk (see Chapter 2).

For example, if you are interested in supporting systemic change, it might be that a larger organisation is better placed to bring together stakeholders, conduct large-scale research, or run big campaigns that influence the public than a smaller charity. Equally, if you are keen to support a very specific community with a very specific need, then a smaller and more local organisation with a strong track record of success and trust amongst beneficiaries may be a better fit.

As well as understanding an organisation's impact, mission, and how it can help you achieve your philanthropic goals, it's really important to get to know the charity, their team and to build trust before supporting them, particularly with bigger commitments.



**READ MORE ON THE PROS
AND CONS OF BIG AND
SMALL CHARITIES >**



4.2 Overhead costs

The second assumption we see is a reluctance among donors to cover all of a charity's costs. Donors often restrict their donations directly towards a programme or project, rather than providing general support to help a charity achieve their mission. In fact, donors are often reluctant to fund overheads costs at all. This is a dominant trend across philanthropy and civil society, that commentators and researchers in the sector have been discussing for years, remaining a loaded topic.

Overhead costs can be described as core costs, operational costs, or running costs. They can also simply be described as 'people' and the ability to invest in high-quality staff to run organisations effectively.

Donors often restrict donations to ensure they will be used effectively. Unfortunately, restricting donations can in fact hinder a charity's work.

In addition to failing to attract top-quality talent, trying to maintain low overhead costs means that organisations can struggle to cover their rent, acquire effective HR and accounting systems, monitor and evaluate their programmes, or build decent IT infrastructure.

You need to be able to invest in your core, systems and processes if you want to build an organisation that can create change

This has detrimental effects on impact; you need to be able to invest in your core, systems and processes if you want to build an organisation that can create change. Contrary to conventional wisdom and public perception, studies have actually failed to find any correlation between low overhead costs and effectiveness.

In fact, higher running costs can actually lead to better performance because this enables charities to prioritise learning, thinking and planning. We expect businesses to invest in themselves, but expect charities to do the opposite: using overheads as a proxy for effectiveness or efficiency is also only looked at in the context of charity.

You wouldn't want a car company to advertise that: "90p of your pound goes directly to building the cars; only 10% goes towards testing, safety, and design".

It's really important to do your due diligence on a charity. Once you have reviewed and understood how they are making a difference, supporting them with core funding will enable them to be much more nimble and effective. They will be able to use your gift where it's needed most and you will trust them enough to do so.

5.0

Other factors to consider

Once you have the fundamentals of your giving strategy in place, you may wish to think of additional ways to support the charities in your portfolio.

These might include:

- Introducing philanthropic leverage into your giving strategy
- Expanding your giving strategy to incorporate the preferences of your family
- Supplementing your financial donations with other means of support



5.1 Philanthropic leverage

You can feel connected to the impact you are making, as well as being bold and ambitious by supporting organisations that operate at a higher level. **Philanthropic leverage** is a way of using philanthropic capital to influence how others (donors, governments or the private sector) give to good causes.

Specifically, philanthropic leverage can appear in a number of different forms:

- **Supporting individuals** who wouldn't normally give to charity and introducing them to a community of donors, much like [Giving What We Can](#).
- **Supporting charities that work with governments** to make programmes or policies more effective and evidence-based. Government budgets for any type of social issue far outweigh the resources of most individual donors. Organisations like this include [J-PAL](#), or the UK's [What Works Centres](#).
- **Helping charities find solutions** to the major issues of our time that can help attract for-profit funding. For example a medical charity researching cures for diseases.

Despite these benefits, funding high-leverage opportunities comes with its share of risks:

- **You are reliant on a charity's strategy and success** in influencing others.
- **Policymaking and developing and delivering social programmes is a long process** which involves [multiple stakeholders with vested interests](#).
- **Risk is inherent in funding research and development.** For every successful trial there are likely hundreds or thousands that don't lead to the right results.

So there are risks, but if an organisation has a track record of achieving results, the risk may be lower.

Donation matching, where large donors pledge to match smaller donations, is one of the most popular examples of philanthropic leverage. But it may not be as effective as you might think.

A common assumption is that the greater the match value, the more money is raised. But [research has shown](#) that donation matching, and even the offer of bigger matching, makes no difference to the total donated to a charity.

Additionally, the opportunity to match funds could [move a donor away from a highly effective charity](#) or neglected cause area, and towards an organisation that is already very well-funded or ineffective.

Rather than just the amount of money a charity is able to raise, it may be helpful to think about which organisations will make the best use of a donation, or achieve a better result.

TIPS TO MAKE LEVERAGE WORK



You should be comfortable with risk and uncertainty, but ensure you conduct research to understand the likelihood of success.

If you are passionate about a cause area, allocating a portion of your philanthropic capital to charities working to raise awareness of advocacy could allow you to tackle the issue from multiple angles.

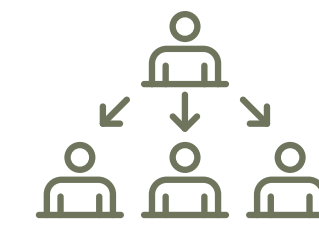
You can start off with smaller amounts of funding and pool your money together with other donors.



5.2 Involve your family in your giving

Giving as a family can be an experience that brings everyone together to learn from each other's perspectives and experience. If you're planning to involve your children in your giving, working through the steps in Chapter 1 can help you with some of the practicalities. Depending on how aligned you are, you may benefit from either collective decision making, or a more independent approach.

Giving habits vary dramatically with age, with the next generation of donors increasingly incorporating new elements such as impact investing. Giving as a family gives you the opportunity to combine experience with the fresh perspective of a younger generation. Blended approaches, such as **CAF Venturesome**, which combines investment with traditional grants may be a good place to start.



**READ MORE ON
INVOLVING YOUR FAMILY >**



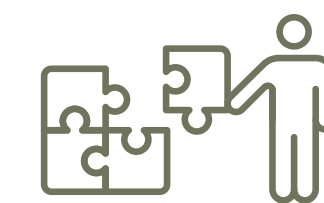
5.3 Beyond financial giving: how to give your time well

Volunteering or donating your time and expertise can be an effective and rewarding way to support your local communities and charities of choice. Nevertheless, there are several factors to consider when deciding how best to engage with any project or organisation to ensure your good intentions don't backfire and that it's the right fit for you.

These include an honest assessment of:

- Your interests, skills and mental resilience
- The time you can offer
- The charities you wish to support
- Your level of commitment especially if considering trusteeship
- The programme and its alignment with your values.

Whatever voluntary role you are considering, it's crucial that you do your due diligence and truly understand both the organisation and potential position, particularly when this is a trusteeship. Our guidance will help you avoid making common mistakes in the selection process to ensure that your good intentions don't result in any setbacks for the very charity you wish to help.



**READ MORE ON GIVING
YOUR TIME WELL >**



Moving forward with your giving

Throughout this guide, we've offered key considerations when developing your giving strategy and identifying your partners, so that you can achieve real impact. We hope that you have found it useful and informative, but our team is always on hand to support you.

We have an in-house advisory service and a dedicated philanthropy adviser who can work with you to understand what kind of support you need and provide bespoke reports, recommendations and guidance.

To learn more about how we can support your giving, please contact your private client manager. If you are not a CAF client but are interested in our services or products, please contact the **Private Client Team**.



Appendix

Helpful definitions

The spectrum of impact

Helpful definitions

We have listed some of the most common terms that are used in the sector to help familiarise yourself with the language you may come across, or already have, during your philanthropic giving.

Cost-effective	Refers to a way in which something is effective or productive in relation to its cost. For charity giving, this often translates to the cost per outcome.
Counterfactual	The difference between the change a programme has made and would have happened anyway. For example, people in a given area may be getting healthier, but what percentage is attributed to the project.
Direct level work	Direct work can be described as interventions that deliver benefits, goods, and/or services to a specific group of beneficiaries. Examples can include supplying free breakfast clubs or malaria nets.
Effective	A charity's ability to make a difference by achieving its intended outcomes from an activity.
ESG	Stands for Environmental, Social, and Governance factors. This is often used in sustainable and ethical investment strategies. It may also include impact investing.
Evidence	Independently assessed proof that a programme or intervention works in its intended way.
Impact	The final, often long-term, positive result of a programme e.g. eradicating polio.
Impact investment	An investment designed to deliberately generate both a positive financial and social return.
Impact Report	A report that explains the counterfactual result of a programme or charity. It usually has facts and figures to demonstrate the difference a programme has made and case studies of success. Some impact reports may also include examples of projects that haven't worked so well.
Impact spectrum	Mapped against financial investments to show how much social return is possible with each type of financial investment. It usually ranges from investment for purely financial return, to a donation.
Inputs	Resources that go into developing a programme e.g. time and money.
Monitoring & Evaluation	Capturing and evaluating qualitative and quantitative data on programmes to understand if outputs have led to outcomes.
Neglectedness	A cause area that receives less funding, attention, and/or research relative to the scale of problem. One example is animal welfare; many donors support sanctuaries or rescue centres, rather than factory farming which affects billions of animals and arguably causes greater suffering.

Outcomes	The longer-term change as a result of a programme e.g. reduced rate of disease contraction.
Outputs	The measurable direct result of a programme e.g. how many vaccines were distributed.
Overhead costs	Administration and other costs unrelated to the direct cost of the programme. This is what a charity needs to carry out its work. It may include salaries, or monitoring and evaluation.
Philanthropic leverage	Achieving more, or maximising the impact of your contributions, with the same donation value. This is usually achieved by influencing the ways others fund or tackle social issues/good causes.
Philanthropic risk	The certainty of achieving a result or impact. In other words, if you support the pilot of a new initiative, it would be considered higher risk as it has not been tested before. If you are supporting a well evidenced approach, it would be considered lower risk. This can apply to systems and direct work, but usually systems change is riskier.
Restricted funding	A donation that is limited for use in a specific programme or project by the donor. This is a strict definition, governed by charity accounting rules.
Scale-up	Expanding a programme to a larger geographic area or among a bigger group of beneficiaries. For example, making a regional pilot programme national.
Social investment	Investment that does not generate a financial return, but generates a social or environmental return.
Social return on investment	A methodology used to measure how much social value your capital is worth and a way to evaluate its impact.
Sustainable Development Goals	A collection of 17 internationally agreed goals to achieve a better and more sustainable future for people and the planet. They are also called the Global Goals.
Systems level work (also known as systems change)	The aim to change a system or element of a system (e.g. health) that, if successful, could benefit an entire population or group of beneficiaries and the way in which programmes, services, and/or treatments are delivered. You often cannot see the full benefits until the change has happened, change takes longer to occur, and paths to success are complex. Examples include medical research, advocacy or policy change.
Theory of change	The strategy employed by a charity, linking inputs all the way to impact, like a roadmap for positive change.
Unrestricted funding	A donation that may be allocated at the discretion of the charity.

The spectrum of impact

Using your money for good doesn't necessarily mean foregoing a financial return. In fact, you can achieve both to varying degrees. Here we break down the options.

PHILANTHROPY		SOCIAL IMPACT INVESTING		SUSTAINABLE AND RESPONSIBLE INVESTING	CONVENTIONAL FINANCIAL INVESTING
Traditional Philanthropy	Venture Philanthropy	Social Investment	Impact Investment	ESG Investing	Fully Commercial Investment
		<i>Use of ESG metrics and methodologies</i>			
Addresses societal challenges through a provision of grants	Addresses societal challenges with venture investment principles	Investment with a focus on social and/or environmental outcome and some expected financial return	Investment with an intent to have a measurable environmental and/or social return	Enhance long-term value by using ESG factors to mitigate risks and identify growth opportunities	Limited or no regard for ESG practices
Social return only	Social return focussed	Social return and sub-market financial return	Social return and adequate financial market rate	Financial market return focussed on long-term value	Financial market return only
<u>Charitable Trust</u> <u>Donor Advised Gift</u>	<u>Social Investment with CAF Venturesome</u>		<u>Charitable Trust</u>		

Source: Stylised adaptation from Organisation for Economic Co-operation and Development (OECD).
For illustrative purposes only.



Registered charity number 268369

CONTACT US

cafonline.org/philanthropy

philanthropy@cafonline.org

03000 123 028

